

4/22/04

In addressing the list of issues it became apparent that there is significant duplication and overlap between them. It would help streamline the workshop process if this duplication and overlap were eliminated before the work groups begin to address their lists of issues. This would help ensure that each issue only gets discussed and decided one time. Below is a redline/strikeout suggestion for how this might be done. We have attempted to include references for each change, so that participants would be able to still refer to filed comments when addressing issues from the new list.

**Illinois Commerce Commission Post 2006 Initiative  
Final List of Issues**

**Power Procurement Issues**

- 1) What are the overarching goals of post-2006 energy acquisition: promoting efficient wholesale and retail competition, assuring reliable current supply, encouraging adequate development of future resources, achieving the lowest average rate, and/or preservation of stable rates?
- 2) What electricity procurement strategies best achieve Illinois' policy goals? Should one strategy be used, or may different answers be appropriate in different circumstances?
- 3) What electricity procurement rules can be established by the Commission? To what extent do these issues lie within the exclusive jurisdiction of the FERC and federal law?
- 4) To what extent should the Commission provide specific guidance or direction to utilities regarding how they should conduct their supply acquisition activities? What assurances will parties participating in a such process have that the result will not be subject to subsequent change or review? What role should the ICC have in overseeing the supply arrangements that the utility enters into for a variable price POLR offering? In particular, under a variable POLR pricing policy, should the ICC set requirements for how much the utility can and should rely on the shorter term market to provide such resources? (Included from Utility Service Obligations After 2006 Issue # 88)

.(Moved to Utility Service Obligations After 2006 Issue #81).(Moved to Utility Service Obligations After 2006 Issue #81).

- 7) How do we expect wholesale electricity prices to behave in 2007 and beyond? Apart from their level, how volatile will they be?

Deleted: 5) What are the pros and cons of obligating utilities that do not own significant production assets to be responsible for active supply portfolio management? What alternatives are there? How can the market be used instead?

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6) Is it appropriate for a distribution or "wires" utility to bear commodity risk, i.e., to have retail a rate structure and be subject to a procurement process that expose it to financial risk depending upon market behavior?

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- 8) **What quantity and type of generation will be available to serve Illinois' load in 2007? Will we continue to enjoy a surplus in all segments? Will new generation or transmission construction be necessary?**
- 9) **What will the wholesale market structure look like in 2007? What effect will the establishment of working markets in the PJM and MISO footprints have?**
- 10) **What can the Commission do to help ensure that seams issues between PJM (of which ComEd is a member) and MISO (of which Ameren and Illinois Power will likely be members) do not inhibit movement of power across the state?**
- 11) **Will coordination by MISO and PJM-West successfully eliminate the existing RTO seam from the perspective of increasing competition in the post-2006 power acquisition process?**
- 12) **Will the distribution companies or the suppliers of power for bundled customers be designated the Load Serving Entities (LSEs)? In other words, will the PSAs that result from a competitive process be considered wholesale contracts with the IDC or retail contracts with the end use customers?**
- 13) **With the advent of RTOs in Illinois, more economic methods of addressing transmission congestion will be available. How does this affect the competitive generation market and the ability of utilities to more efficiently procure electricity?**
- 14) **Should utilities procure power for bundled customers through auctions, competitive bidding or similar acquisition processes? How should auctions, competitive bidding, or other acquisition processes be structured?**
- 15) **Should power acquisition practices be structured any differently where wholesale markets are not fully competitive?**
- 16) **As part of the power acquisition process, should utilities be required to file energy plans? What information should be provided? What role would this information play in ratemaking and/or prudence review of costs? Is regulated planning of this nature antithetical to the development of competitive markets and to the efficient price signals that are required for such markets to function well?**

- 17) Utilities that do not own generation will rely on the financial and operational soundness of their suppliers. What credit and reliability requirements should be required in the acquisition process? How should we address the supplier defaults?
- 18) What is the role of interruptible and curtailable load and energy efficiency / DSM initiatives in cost-effectively limiting the resources required? How can the market aid utilities in making these decisions?
- 19) Should utilities use financial markets to hedge their purchases for their bundled customers? To what extent should non-competitive tariffed energy service offerings by utilities be hedged against fuel price/ market price risks? Should utilities attempt to hedge for their full expected load serving obligation, or only for a portion? For how long should prices be hedged? How should prudence for hedging efforts and costs be assessed? (Included from Rates Issue #34 and Issue #36) Should energy efficiency and demand reduction be considered as a hedging strategy?
- (19A) Should the type or extent of hedging be different for different classes of customers? For example, is the need for hedging less for customers who have greatest direct access to competitive markets? (Included from Rates Issue #35)
- 20) Should energy efficiency be deployed as a supply substitution resource? If so, how?
- 21) Many demand reduction (DR) and energy efficiency (EE) activities show net benefits for distribution utilities, generation companies, and consumers. However, the benefits of a single DR activity are split between different market sectors. Despite the widespread benefit of DR and EE, there is no mechanism for sharing the cost of this activity across market sectors. In light of the system-wide benefits, should distribution utilities be required to consider energy efficiency and/or demand reduction procurement on the same basis as procurement of energy? What is the role of the Commission in facilitating the adoption of beneficial initiatives with these types of split incentives in the market?
- 22) Should utilities be required to use a designated percentage of renewable energy as part of their supply portfolio?
- 23) Should the utilities be required to use multiple supply sources rather rely on a single source? What types of products should be procured? Should utilities build a supply portfolio with standard products, or rely on the

**provision of full requirements products? Should energy purchased through any of these methods be acquired in small units or in large blocks? Why?**

- 24) Should utilities be allowed to make any or all their purchases through an unregulated affiliate? Why or why not?**
- 25) What additional safeguards, if any, should be included in purchase agreements and intercompany operating agreements between a utility and its affiliates?**
- 26) Are there barriers to efficient development of co generation and self-generation, including but not limited to projects of a size and scope to permit them to serve multiple nearby industries that should be eliminated? If so, how can they be eliminated?**
- 27) To what extent should preapproval/predetermination of prudence of the utility's power purchases (via RFP's, auctions, etc...) be included in utility power procurement? To what extent should preapproval/predetermination of portfolio planning be included in utility power procurement?**
- 28) In addressing power procurement issues, the Commission also needs to consider that some utilities are multi-jurisdictional, remain vertically integrated and continue to own generation. Given that generation decisions are made on a system-wide basis and that these companies may be procuring little or no power in the market for their customers, does it make sense to apply power procurement requirements to these utilities?**
- 29) Parties have expressed concern that current MISO business practices do not accommodate the post-2006 shift in supply responsibility that will occur in Illinois post-2006 and the classic ATC process is designed to address incremental changes to the base use of the transmission system. Post-2006 the MISO and PJM-West definitions of "network resources" may need to be modified to accommodate this statewide shift in supply responsibilities. Can MISO and PJM-West "pre-approve" network resources on a statewide basis? Will a network resource designated by PJM or other RTO also be able to transmit power into MISO service areas under its network resource designation and vice versa?**

#### **Rate Issues**

- 30) Should the Commission initiate rate proceedings for each electric utility prior to 2007?**

31) Should rates be determined, and shown on the tariff sheets, for both bundled and delivery services, as individual rate components, in a manner such as: customer charge, meter charge, distribution delivery charge, transmission delivery charge, and supply charge? If so, should there be a single proceeding to reset the delivery component that would apply to both bundled rates and delivery service? (Includes portion of Utility Service Obligations After 2006 Issue #80)

32) Should each utility have the same customer classes for both bundled and unbundled customers?

(Moved to Utility Service Obligations After 2006 Issue #84)

(Moved to Power Procurement Issue #19)

(Moved to Power Procurement Issue #19A)

(Moved to Rates Issue #40) (Moved to Power Procurement Issue #19)

37) To what extent can rate design and switching rules reduce the costs of hedging? What are the implications for such changes on the competitive retail marketplace?

38) How can the costs of providing tariffed non-competitive energy service best be recovered by utilities? If utilities offer a fixed price commodity POLR offering, how should the price be set? (Included from Utility Service Obligations After 2006 Issue # 87) Should rates simply be fixed at levels that are forecast to recover utility costs and only changed in a rate case? (Includes Rates Issue #42) Alternatively, should rates be based on a relatively current measure of market value and perhaps be reset frequently. (Included from Utility Service Obligations After 2006 Issue #88) If the latter, what is the appropriate time step for adjusting the price? (Included from Utility Service Obligations After 2006 Issue #84) How would costs be recovered if some rates were to reflect market indices? Should new market value estimation methods be developed if rates are to be based on market indices? (Includes Rates Issue # 39 and Issue #43) What, if any, are the uses for the Neutral Fact Finder processes in the post-2006 period?

(Moved to Rates Issue # 38)

40) If utilities are required or permitted to take actions to reduce price risk or the volatility of their costs, how should these costs be recovered? (Includes part of Rates Issue #36)

41) Rate design issues can also have significant competitive implications. Unless rates are designed to send correct price signals, economically efficient consumption decisions and economically efficient competition will not necessarily result. How can decisions about the method of recovery of

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Deleted: 34) To what extent should non-competitive tariffed energy service offerings by utilities be hedged against fuel price/market price risks? Should utilities attempt to hedge for their full expected load serving obligation, or only for a portion? For how long should prices be hedged?

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Deleted: 36) How should hedging costs be recovered in utility rates?

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**production costs and the allocation of those costs among rates and customers be made in a manner likely to promote efficiency, and efficient competition between providers and resources?**

**(Moved to Rates Issue #38)**

**(Moved to Rates Issue #38)**

- 44) Should Ill. Adm. Code 425 be modified to reflect the “new” more significant role of purchased power in energy costs?**
- 45) Should 83 Ill. Adm. Code 425 be modified to address demand costs, transmission costs, interest, and reinstatement of a fuel adjustment clause after the end of the mandatory transition period? Should the Commission develop rules for a new power purchase clause? Should a separate transmission charge (perhaps a rider) be considered? (As opposed to transmission being included as part of a fuel adjustment clause)**
- 46) Can or should rates be restructured to eliminate inter and intra-class subsidies in existing bundled rates?**
- 47) Should “special rates” (e.g., space heating, lighting) be maintained?**
- 48) Should charges be restructured to more accurately reflect the costs of providing delivery and customer services that do not vary significantly based on the kilowatt-hours consumed (e.g., standby service rates)?**
- 49) Should some or all rates for some or all of the rate classes be determined on a seasonal basis?**
- 50) Should rates for customers who return to bundled service be different from the rates offered to basic bundled service customers? Do customers who move back and forth between bundled services and delivery services cause additional costs that should be charged only to those customers?**
- 51) Should customers returning to bundled service be put on time-based rates as their default option, under opt-out conditions?**
- 52) How should costs related to energy efficiency and demand reduction be charged in rates?**
- 53) How should costs for obtaining renewable energy be charged in rates?**
- 54) What new rates or services, if any, should utilities offer (e.g., green power options)? What kind of rate structures support efficiency? Time of Use**

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**Deleted: 43) Should some or all customer rates reflect market indices? How would costs be recovered if some rates were to reflect market indices?**

**Deleted: Should new market value estimation methods be developed if rates are to be based on market indices? What are the uses, if any, for the Neutral Fact Finder processes in the post-2006 period?**

**rates for business and residential customer classes? Amending of declining block rate structures so that the first block of kWhs on a customer bill are the cheapest kWhs, and the additional kWhs are more expensive?**

- 55) Should there be an interruptible rate option for transmission and distribution services and/or generation services? How should such a rate be designed?**
- 56) Should utilities be required to demonstrate consideration of energy efficiency, demand reduction, and distributed generation strategies as part of any proposal for new distribution and/or transmission facilities?**

**(Moved to Utility Service Obligations After 2006 Issue #89)**

- 58) Should existing real-time tariffs be modified to encourage customer interest in such tariffs? If so, what modifications are necessary?**
- 59) In the IDC model, the marketing of services by a distribution utility is significantly limited. How does this impact the offering of new rate structures or services, such as real-time pricing, which bring system benefits but which are unfamiliar to consumers and require education and marketing to be successful?**
- 60) What level of reward (or opportunity) is appropriate for a distribution company who purchases "safety net" service for customers? What level of power procurement risk is appropriate for distribution companies?**
- 61) Should Integrated Distribution Company (IDC) rules be changed to provide the option to promote green power, real-time pricing tariffs, curtailable rate options, etc..., by the distribution company?**
- 62) How should the cost of power to be included in rates be determined for those non-Integrated Distribution Company (IDC) utilities that continue to own generation? Should it be priced at company cost, at market rates, or on some other basis?**
- 63) Which types of time-based rates, ranging from TOU to Critical Peak Pricing to Day Ahead Real Time, are appropriate for which customer classes? What has customer acceptance of such been in Illinois and other states to date?**
- 64) To what extent is existing infrastructure a barrier to wider deployment of time-based rates? How can electricity providers be provided with cost**

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**recovery assurances and incentives that will lead to the necessary infrastructure being put in place?**

- 65) Should the requirements related to approval of alternative regulation plans be revisited with a goal of setting forth more realistic requirements so such plans could actually be implemented?**
- 66) Should incentives be put in place to encourage consumers to make their demands more price-responsive? What form might such incentives take?**

#### **Competitive Issues**

- 67) What measures should the Commission undertake to encourage competition for smaller-use customers? To what extent, if at all, must the rates for non-competitive tariffed energy services to such customers be increased to permit such competition?**
- 68) What measures should the Commission undertake to encourage competition in the service areas of the State's smallest utilities?**
- 69) What role could municipal aggregation programs play in encouraging retail competition for smaller-use customers?**
- 70) What barriers to participation in the market can and should be removed?**
- 71) Should regulations regarding codes of conduct and utility-affiliate activities be modified?**
- 72) How will the Commission address the special cost allocation and affiliated interest problems that accompany a utility with joint costs for regulated and unregulated activities?**
- 73) What further progress can be made towards uniform tariffs?**
- 74) Are there specific actions the Commission can take, either through the FERC or other national or regional forums, to improve the competitiveness of the Illinois wholesale market, either through improvements in transmission availability or through better market design?**
- 75) Is providing competitively priced wholesale power for small-use customers enough to meet the "benefits" and "equity" directive in the '97 Law? (Rather than focusing on retail competition)**



- 76) Should retail competition be encouraged if bundled use customers reap benefits through wholesale competition?
- 77) Should the regulatory regime create rules for LDC's to provide competitively priced power to individual customers?
- 78) How should residential choice be addressed (including to a certain degree whether true "choice" itself at the residential level is an appropriate goal)?
- 79) What are the barriers to competitive providers providing demand response programs and/or dynamic pricing offers and what can FERC and/or the Commission do to address such?

#### Utility Service Obligations After 2006

- 80) What should be the nature of utilities' regulated load serving obligations after 2006? Should there continue to be any obligation for the utility to offer a regulated commodity or "POLR" product? If so, to which customer classes? (Moved to Rates Issue #31)
- 81) What are the pros and cons of obligating utilities that do not own significant production assets to be responsible for active supply portfolio management, subjecting them to financial risk depending upon market behavior? What if the incumbent does not wish to retain the default service responsibility? Is an alternative arrangement feasible, given the incumbent's distribution monopoly and obligation to operate the system reliably (even if there are supply imbalances)? Can the market be used instead? (Power Procurement Issue #5 and Issue #6 are combined into this issue)
- 82) Is electric service to additional classes of customers likely to be competitive after 2006? Will the provision of electric power and energy continue to be competitive in some territories and not in others?
- 83) Regulation of rates for tariffed electric services has traditionally been on a cost-of-service basis. Only the telecommunications markets, with mandated retail competition structures, have been deemed sufficiently competitive for price cap regulation. What criteria will be used to determine the sufficiency of competition?
- 84) Should utilities offer services at long-term (a year or longer) fixed prices? Or should at least the power and energy prices vary with the market? (Moved to Rates Issue #38) Or, should an assortment of these products be made available? (Included from Rates Issue #33)

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- 85) Should different POLR choices be offered to different classes of customers?
- 86) Should POLR offerings be uniform by customer class across the state? If utilities are in different situations with respect to RTOs and organized markets, should that affect the POLR choice?

~~.(Moved to Rates Issue #38) .(Moved to Power Procurement Issue #4)~~

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- 89) What are the circumstances under which PPO must be offered subsequent to the end of the mandatory transition period? How should Sec. 16-110 provisions be implemented by the utilities that are required to offer PPO service after 2006? (Includes Rates Issue #57)

Deleted: 87) If utilities offer a fixed price commodity POLR offering, how should the price be set?

Deleted: What role should the ICC have in overseeing the supply arrangements that the utility enters into to provide supply for such a service offering?

Deleted: 88) If utilities offer a variable price commodity POLR offering, how should the price be set?

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#### Energy Assistance

- 90) How should state energy assistance programs be provided for low-income customers who cannot afford to pay just and reasonable rates?
- 91) Is the current surcharge level adequate for energy assistance?
- 92) Are there other regulatory and/or legislative mechanisms that should be considered?
- 93) Is there a role for economic development "rates" in a post-transition marketplace? If so, should tariffed non-competitive energy services offered by utilities be the vehicle, or can the State implement economic development programs through the competitive sector as well?